

THE OFFICE OF REGULATORY STAFF

SETTLEMENT TESTIMONY

OF

WILLIE J. MORGAN

SEPTEMBER 16, 2008



DOCKET NO. 2008-142-WS

**Application of Goat Island Water and Sewer
Company, Incorporated for an Increase in its
Rates and Charges for the Provision of Water
and Sewer Services and Approval of
Management Agreement**

1 **SETTLEMENT TESTIMONY OF WILLIE J. MORGAN**
2 **FOR**
3 **THE OFFICE OF REGULATORY STAFF**
4 **DOCKET NO. 2008-142-WS**
5 **IN RE: APPLICATION OF GOAT ISLAND WATER AND SEWER**
6 **COMPANY, INCORPORATED FOR AN INCREASE IN ITS RATES**
7 **AND CHARGES FOR THE PROVISION OF WATER AND SEWER SERVICES**
8 **AND APPROVAL OF MANAGEMENT AGREEMENT**

9
10 **Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND**
11 **OCCUPATION.**

12 A. My name is Willie J. Morgan, and my business address is 1401 Main
13 Street, Suite 900, Columbia, South Carolina 29201. I am employed by the State
14 of South Carolina Office of Regulatory Staff (“ORS”) as the Program Manager
15 for the Water and Wastewater Department.

16 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**
17 **PROCEEDING?**

18 A. The purpose of my testimony is to provide a brief overview of the
19 Settlement Agreement reached between ORS and Goat Island Water and Sewer
20 Company, Inc. (“Goat Island”) in this proceeding and to explain why this
21 Settlement Agreement is in the public interest. I have attached the following
22 exhibits to my settlement testimony:

- 23 • Settlement Exhibit WJM-1: Service Revenue Impact

- Settlement Exhibit WJM-2: Rates and Charges Overview

Q. PLEASE PROVIDE AN OVERVIEW OF THE SETTLEMENT AGREEMENT REACHED BY THE PARTIES OF RECORD.

A. Following extensive discussions, the parties have each determined that their interests, as well as the interest of the public would be best served by settling all pending issues in this proceeding.

It is the position of ORS that the Settlement Agreement, as presented to this Commission, is a fair, reasonable and full resolution to all issues in this proceeding. Further, the Settlement Agreement represents the public interest as it preserves the balance referred to in S.C. Code Ann. Section 58-4-10:

... ‘public interest’ means a balancing of the following:

- (1) Concerns of the using and consuming public with respect to public utility services, regardless of the class of customer;
- (2) Economic development and job attraction and retention in South Carolina; and
- (3) Preservation of the financial integrity of the State’s public utilities and continued investment in and maintenance of utility facilities so as to provide reliable and high quality utility services.

All parties agree that an increase in rates and charges is necessary for Goat Island to provide its residential and commercial customers with safe and adequate water and wastewater services. ORS determined Goat Island is currently operating under rates that do not allow it to earn a fair operating margin. The Settlement Agreement provides a schedule of proposed rates, terms and conditions that are fair and reasonable to both the customer and Goat Island and

1 will allow Goat Island the opportunity to earn a fair operating margin.
2 Specifically, Goat Island has agreed to reduce its rates from those proposed in the
3 revised application for both residential and commercial water and sewer charges.
4 ORS and Goat Island recommend in the Settlement Agreement an operating
5 margin of 16.27% which will provide a prudent balance between the consumer's
6 need for affordable, quality services and Goat Island's financial health.

7 As stated earlier, it is the position of ORS and Goat Island that this
8 Settlement Agreement is fair and reasonable and represents full resolution of all
9 issues in this proceeding and I would request the Commission approve the
10 Settlement Agreement as presented today.

11 **Q. DOES THE SETTLEMENT AGREEMENT PROPOSED BY THE**
12 **PARTIES ALLOW FOR METERED RATES FOR WATER SERVICE?**

13 A. No. The Settlement Agreement does not include metered rates for water
14 service.

15 **Q. DOES THIS CONCLUDE YOUR SETTLEMENT TESTIMONY?**

16 A. This concludes my overview of the Settlement Agreement presented on
17 behalf of ORS and Goat Island.

Goat Island Water and Sewer Company, Inc.
2008-142-WS
Service Revenue Impact

Settlement Exhibit WJM-1

Goat Island Water & Sewer Company, Inc. Revenues at Proposed Settlement Rates

Service Type	Classification	Customer	Consumption in Gallons	Usage Charge per 1000 gal. up to 2,000 gal.	Usage Charge per 1,000 gal. from 2,001 to 5,000 gal.	Usage Charge per 1,000 gal. over 5,000 gal.	Usage Charge per 1,000 gal.	Service Units*	Base Facility Charge (BFC)	Test Year Proposed Revenues	Increase Amount	% Increase
WATER	Residential	Lake Marion Shores	0	\$0.00	\$0.00	\$0.00	\$0.00	223	\$25.00	\$66,900	\$16,056	31.6%
		Gin Pond Shores	0	\$0.00	\$0.00	\$0.00	\$0.00	66	\$25.00	\$19,800	\$4,752	31.6%
		Haynesworth Mill	0	\$0.00	\$0.00	\$0.00	\$0.00	8	\$25.00	\$2,400	\$576	31.6%
		Sigfield	0	\$0.00	\$0.00	\$0.00	\$0.00	87	\$25.00	\$26,100	-\$9,396	-26.5%
		Wyboo Pointe	0	\$0.00	\$0.00	\$0.00	\$0.00	140	\$25.00	\$42,000	\$21,840	108.3%
		Goat Island	0	\$0.00	\$0.00	\$0.00	\$0.00	94	\$25.00	\$28,200	-\$5,640	-16.7%
	Residential Water Service Total							618		\$185,400	\$28,188	17.9%
	Commercial	Lake Marion Shores	0	\$0.00	\$0.00	\$0.00	\$0.00	0	\$25.00	\$0	\$0	N/A
		Gin Pond Shores	0	\$0.00	\$0.00	\$0.00	\$0.00	0	\$25.00	\$0	\$0	N/A
		Haynesworth Mill	0	\$0.00	\$0.00	\$0.00	\$0.00	0	\$25.00	\$0	\$0	N/A
		Sigfield (3/4 inch Tap)	0	\$0.00	\$0.00	\$0.00	\$0.00	0	\$25.00	\$0	\$0	N/A
		Sigfield (1 inch Tap)	0	\$0.00	\$0.00	\$0.00	\$0.00	1	\$25.00	\$300	-\$1,176	-79.7%
		Wyboo Pointe	0	\$0.00	\$0.00	\$0.00	\$0.00	0	\$25.00	\$0	\$0	N/A
		Goat Island	0	\$0.00	\$0.00	\$0.00	\$0.00	1	\$25.00	\$300	-\$510	-63.0%
	Commercial Water Service Total							2		\$600	-\$1,686	-73.8%
	TOTAL WATER SERVICE REVENUE							620		\$186,000	\$26,502	16.6%
SEWER	Residential	Lake Marion Shores	0	\$0.00	\$0.00	\$0.00	\$0.00	0	\$0.00	\$0	\$0	N/A
		Gin Pond Shores	0	\$0.00	\$0.00	\$0.00	\$0.00	0	\$0.00	\$0	\$0	N/A
		Haynesworth Mill	0	\$0.00	\$0.00	\$0.00	\$0.00	0	\$0.00	\$0	\$0	N/A
		Sigfield	0	\$0.00	\$0.00	\$0.00	\$0.00	0	\$0.00	\$0	\$0	N/A
		Wyboo Pointe	0	\$0.00	\$0.00	\$0.00	\$0.00	0	\$0.00	\$0	\$0	N/A
		Goat Island	0	\$0.00	\$0.00	\$0.00	\$0.00	94	\$30.00	\$33,840	\$0	0.0%
		Collection Only	0	\$0.00	\$0.00	\$0.00	\$0.00	0	\$20.00	\$0	\$0	0.0%
	Residential Sewer Service Total							94		\$33,840	\$0	0.0%
	Commercial**	Lake Marion Shores	0	\$0.00	\$0.00	\$0.00	\$0.00	0	\$0.00	\$0	\$0	N/A
		Gin Pond Shores	0	\$0.00	\$0.00	\$0.00	\$0.00	0	\$0.00	\$0	\$0	N/A
		Haynesworth Mill	0	\$0.00	\$0.00	\$0.00	\$0.00	0	\$0.00	\$0	\$0	N/A
		Sigfield (3/4 inch Tap)	0	\$0.00	\$0.00	\$0.00	\$0.00	0	\$0.00	\$0	\$0	N/A
		Wyboo Pointe	0	\$0.00	\$0.00	\$0.00	\$0.00	0	\$0.00	\$0	\$0	N/A
		Goat Island	0	\$0.00	\$0.00	\$0.00	\$0.00	3.4875	\$30.00	\$1,256	\$446	55.1%
		Collection Only	0	\$0.00	\$0.00	\$0.00	\$0.00	0	\$20.00	\$0	\$0	0.0%
Commercial Sewer Service Total							3.4875		\$1,256	\$446	55.1%	
TOTAL SEWER SERVICE REVENUE							97.4875		\$35,096	\$446	1.3%	
COMBINED OPERATIONS REVENUE									\$221,096	\$26,948	13.9%	
Access Fee (Gin Pond Customers)							7	\$2.00	\$168	\$0	0.0%	
TOTAL OPERATING REVENUE									\$221,264	\$26,948	13.9%	

Customer Tap Fees and Reconnection Fees are not included in any of the above computations.

** Commercial sewer customer units are based on SFE

**Goat Island Water and Sewer Company, Inc.
2008-142-WS
Rates and Charges Overview**

Settlement Exhibit WJM-2

WATER SERVICE

	<u>Current</u>	<u>Proposed Phase I</u>	<u>Proposed Phase II</u>	<u>Proposed Settlement</u>
1.				
Monthly Charges				
<u>Residential</u>				
Goat Island Commodity Charge	\$30.00 per unit	\$30.00 per unit	\$23.00 per unit \$2.50 per 1,000 gallons	\$25.00 per unit
Lake Marion Shores/Gin Pond Commodity Charge	\$19.00 per unit	\$30.00 per unit	\$23.00 per unit \$2.50 per 1,000 gallons	\$25.00 per unit
Haynesworth Mill Commodity Charge	\$19.00 per unit	\$30.00 per unit	\$23.00 per unit \$2.50 per 1,000 gallons	\$25.00 per unit
Sigfield Water Company, Inc. Commodity Charge	\$34.00 per unit	\$34.00 per unit	\$23.00 per unit \$2.50 per 1,000 gallons	\$25.00 per unit
Wyboo Pointe Commodity Charge	\$12.00 per unit	\$24.00 per unit	\$23.00 per unit \$2.50 per 1,000 gallons	\$25.00 per unit
<u>Commercial</u>				
Goat Island Commodity Charge	\$67.50 per unit	\$30.00 per unit	\$23.00 per unit \$2.50 per 1,000 gallons	\$25.00 per unit
Lake Marion Shores/Gin Pond Commodity Charge	\$19.00 per unit	\$30.00 per unit	\$23.00 per unit \$2.50 per 1,000 gallons	\$25.00 per unit
Haynesworth Mill Commodity Charge	\$19.00 per unit	\$30.00 per unit	\$23.00 per unit \$2.50 per 1,000 gallons	\$25.00 per unit
Sigfield Water Company, Inc. (3/4" Tap)	\$83.00 per unit	\$30.00 per unit	\$23.00 per unit	\$25.00 per unit
Commodity Charge	\$3.00 per 1000 gallons (1st 2000 gallons)		\$2.50 per 1,000 gallons	
Commodity Charge	\$3.18 per 1000 gallons (2001 to 5000 gallons)			
Commodity Charge	\$3.35 per 1000 gallons (over 5000 gallons)			

**Goat Island Water and Sewer Company, Inc.
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Rates and Charges Overview**

Settlement Exhibit WJM-2

WATER SERVICE (continued)

Sigfield Water Company, Inc. (1" Tap)	\$123.00 per unit	\$30.00 per unit	\$23.00 per unit	\$25.00 per unit
Commodity Charge	\$3.00 per 1000 gallons (1st 2000 gallons)		\$2.50 per 1,000 gallons	
Commodity Charge	\$3.18 per 1000 gallons (2001 to 5000 gallons)			
Commodity Charge	\$3.35 per 1000 gallons (over 5000 gallons)			

Wyboo Pointe	\$12.00 per unit	\$30.00 per unit	\$23.00 per unit	\$25.00 per unit
Commodity Charge			\$2.50 per 1,000 gallons	

**2.
Tap Fees**

Goat Island				
Residential:	\$450.00 per unit	\$450.00 per unit	\$450.00 per unit	\$450.00 per unit
Commercial:	\$450.00 per SFE	\$450.00 per SFE	\$450.00 per SFE	\$450.00 per SFE
Lake Marion Shores/Gin Pond	\$200.00 per unit	\$200.00 per unit	\$200.00 per unit	\$200.00 per unit
Haynesworth Mill	\$200.00 per unit	\$200.00 per unit	\$200.00 per unit	\$200.00 per unit
Sigfield Water Company, Inc.	\$500.00 per unit	\$500.00 per unit	\$500.00 per unit	\$500.00 per unit
Wyboo Water Department	\$450.00 per unit	\$450.00 per unit	\$450.00 per unit	\$450.00 per unit

**3.
Reconnection Charges**

Goat Island	\$0.00 per unit	\$0.00 per unit	\$0.00 per unit	\$0.00 per unit
Lake Marion Shores/Gin Pond	\$50.00 per unit	\$50.00 per unit	\$50.00 per unit	\$50.00 per unit
Haynesworth Mill	\$50.00 per unit	\$50.00 per unit	\$50.00 per unit	\$50.00 per unit
Sigfield	\$0.00 per unit	\$0.00 per unit	\$0.00 per unit	\$0.00 per unit
Wyboo Pointe	\$30.00 per unit	\$30.00 per unit	\$30.00 per unit	\$30.00 per unit

**Goat Island Water and Sewer Company, Inc.
2008-142-WS
Rates and Charges Overview**

Settlement Exhibit WJM-2

SEWER SERVICE

CURRENT RATES AND CHARGES

Goat Island

Residential Monthly Charges	\$30.00 per unit
Commercial Monthly Charges	\$67.50 per unit
Tap Fee	\$450 per unit

PROPOSED SETTLEMENT RATES AND CHARGES

1.
Monthly Charges

Residential - monthly charge per single-family house, condominium, villa, or apartment unit	\$30.00 per unit
Commercial - monthly charge	\$30.00 per SFE*

Commercial customers are those not included in the residential category above and include, but are not limited to, hotels, stores, restaurants, offices, industry, etc.

The Utility will also charge for treatment services provided by the government body or agency, or other entity. The rates imposed or charged by the government body or agency, or other, entity providing treatment will be charged to the Utility's affected customers on a pro rata basis, without markup. Where the Utility is required under the terms of a 201/208 Plan, or by other regulatory authority with jurisdiction over the Utility, to interconnect to the sewage treatment system of a government body or agency or other entity and tap/connection/impact fees are imposed by that entity, such tap/connection/impact fees will be charged to the Utility's affected customers on a pro rata basis, without markup. The Utility shall give the Commission thirty days notice of its intent to pass-through to customers treatment charges which are higher than those in effect at the time of the Commission's approval of the within rate schedule. The Utility shall provide with such notice written documentation of an increase by the provider of treatment services justifying the increase in the amount of treatment charges sought to be passed-through to affected customers. In the event that an increase in the amount of treatment charges to be passed through to customers rate is found by the Commission to be so justified, the utility will then be required to give customers an additional thirty days notice before the increase in the treatment charges to be passed through may be put into effect.

The Utility will, for the convenience of the owner, bill a tenant in a multi-unit building, consisting of four or more residential units, which is served by a master sewer meter or a single sewer connection. However, in such cases all arrearages must be satisfied before service will be provided to a new tenant or before interrupted service will be restored. Failure of an owner to pay for services rendered to a tenant in these circumstances may result in service interruptions.

**Goat Island Water and Sewer Company, Inc.
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Rates and Charges Overview**

Settlement Exhibit WJM-2

SEWER (continued)

Solids Interceptor Tanks

For all customers receiving sewage collection service through an approved solids interceptor tank, the following additional charges shall apply:

A. Pumping Charge

At such time as the Utility determines through its inspection that excessive solids have accumulated in the interceptor tank, the Utility will arrange for pumping the tank and will include \$150.00 as a separate item in the next regular billing to the customer.

B. Pump Repair or Replacement Charge

If a separate pump is required to transport the customer's sewage from solids interceptor tank to the Utility's sewage collection system, the Utility will arrange to have this pump repaired or replaced as required and will include the cost of such repair or replacement and may be paid for over a one year period.

C. Visual Inspection Port

In order for a customer who uses a solids interceptor tank to receive sewage service from the Utility or to continue to receive such service, the customer shall install at the customer's expense a visual inspection port which will allow for observation of the contents of the solids interceptor tank and extraction of test samples therefrom. Failure to provide such a visual inspection port after timely notice of not less than thirty (30) days shall be just cause for interruption of service until a visual inspection port has been installed.

2.
Nonrecurring Charges

Tap Fee	\$500 per SFE*
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The nonrecurring charges listed above are minimum charges and apply even if the equivalency rating of a non residential customer is less than one (1). If the equivalency rating of a non residential customer is greater than one (1), then the proper charge may be obtained by multiplying the equivalency rating by the appropriate fee. These charges apply and are due at the time new service is applied for, or at the time connection to the sewer system is requested.

3.
Notification, Account Set-Up and Reconnection Charges

a. Notification Fee

A fee of ten dollars (\$10.00) shall be charged each customer to whom the Utility mails the notice as required by Commission Rule R. 103-535.1 prior to service being discontinued. This fee assesses a portion of the clerical and mailing costs of such notices to the customers creating the cost.

Goat Island Water and Sewer Company, Inc.
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Rates and Charges Overview

Settlement Exhibit WJM-2

SEWER (continued)

- b. Customer Account Charge - for new customers only.
All Areas

\$25.00

A one-time fee to defray the costs of initiating service. This charge will be waived if the customer also takes water service.

c. Reconnection Charges: In addition to any other charges that may be due, a reconnection fee of two hundred fifty dollars (\$250.00) shall be due prior to the Utility reconnecting service which has been disconnected for any reason set forth in Commission Rule R.103-532.4. Where an elder valve has been previously installed, a reconnection charge of thirty-five dollars (\$35.00) shall be due. Customers who ask to be reconnected within nine months of disconnection will be charged the monthly base facility charge for the service period they were disconnected.

4.
Billing Cycle

Recurring charges will be billed monthly, in arrears. Nonrecurring charges will be billed and collected in advance of service being provided.

5.
Toxic and Pretreatment Effluent Guidelines

The Utility will not accept or treat any substance or material that has been defined by the United States Environmental Protection Agency ("EPA") or the South Carolina Department of Health and Environmental Control ("DHEC") as a toxic pollutant, hazardous waste, or hazardous substance, including pollutants falling within the provisions of 40 CFR 129.4 and 401.15. Additionally, pollutants or pollutant properties subject to 40 CFR 403.5 and 403.6 are to be processed according to the pretreatment standards applicable to such pollutants or pollutant properties, and such standards constitute the Utility's minimum pretreatment standards. Any person or entity introducing any such prohibited or untreated materials into the Company's sewer system may have service interrupted without notice until such discharges cease, and shall be liable to the Utility for all damages and costs, including reasonable attorney's fees, incurred by the Utility as a result thereof.

6.
Extension of Utility Service Lines and Mains

The Utility shall have no obligation at its expense to extend its utility service lines or mains in order to permit any customer to discharge acceptable wastewater into one of its sewer systems. However, anyone or any entity which is willing to pay all costs associated with extending an appropriately sized and constructed main or utility service line from his/her/its premises to an appropriate connection point, to pay the appropriate fees and charges set forth in this rate schedule and to comply with the guidelines and standards hereof, shall not be denied service, unless treatment capacity is unavailable or unless the South Carolina Department of Health and Environmental Control or other government entity has restricted the Utility from adding for any

Goat Island Water and Sewer Company, Inc.
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Settlement Exhibit WJM-2

SEWER (continued)

reason additional customers to the serving sewer system. In no event will the Utility be required to construct additional wastewater treatment capacity to serve any customer or entity without an agreement acceptable to the Utility first having been reached for the payment of all costs associated with adding wastewater treatment capacity to the affected sewer system.

- * A Single Family Equivalent (SFE) shall be determined by using the South Carolina Department of Health and Environmental Control Guidelines for Unit Contributory Loading for Domestic Wastewater Treatment Facilities --25 S.C. Code Ann. Regs. 61-67 Appendix A (Supp. 2006), as may be amended from time to time. Where applicable, such guidelines shall be used for determination of the appropriate monthly service and tap fee.